

Message Text

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DRAFTED BY XMB:RJALBRIGHT
APPROVED BY EUR/EE:NGANDREWS
XMB:RJALBRIGHT
XMB:WGLICK
EUR/EE:SFROMOWITZ
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TO AMEMBASSY BELGRADE PRIORITY

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E.O. 11652: N/A

TAGS: EGEN, EFIN, YO

SUBJECT: GOY GUARANTEES FOR EXIMBANK

REF: BELGRADE 7660, BELGRADE 6810, STATE 239097

1. KARDELJ AND OTHER SENIOR YUGOSLAV OFFICIALS HAVE REFERRED TO THE NEW YUGOSLAV EXPORT BANK AS A POSSIBLE SOURCE OF GUARANTEES FOR EXIMBANK. SINCE YUGOSLAV LEGISLATION HAS NOT YET CLARIFIED THE AUTHORITY OF THE NEW EXPORT BANK IT IS NOT POSSIBLE TO DETERMINE WHETHER GUARANTEES BY THAT NEW INSTITUTION WILL OFFER SATISFACTORY SECURITY TO EXIM BANK. AT THE SAME TIME TO FACILITATE A RESOLUTION OF THE ISSUES OUTSTANDING BETWEEN THE YUGOSLAVS AND EXIMBANK, IT APPEARS WORTHWHILE TO CONSULT WITH YUGOSLAV OFFICIALS ON WAYS THE
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PROPOSED NEW EXPORT BANK COULD BE STRUCTURED SO AS TO PROVIDE SECURITY ADEQUATE TO MEET EXIMBANK NEEDS.

2. EMBASSY IS REQUESTED TO TRY TO DETERMINE FROM APPROPRIATELY HIGH LEVEL YUGOSLAV OFFICIALS INVOLVED IN THE FORMATIVE PROCESS ANSWERS TO THE FOLLOWING QUESTIONS:

A. WOULD THE NEW BANK HAVE THE AUTHORITY TO ISSUE GUARANTEES TO EXTERNAL LENDERS OF OBLIGATIONS OF NON-GOVERNMENT ENTERPRISES OR BANKS, E.G., JAT OR BEOGRADSKA BANKA?

B. WOULD GUARANTEES BY THE BANK TO EXTERNAL LENDERS BE FULLY BACKED BY THE ENTERPRISES AND INDIVIDUAL BANKS WHICH ARE THE FOUNDERS OF THE BANK, OR WOULD SUCH BACK-UP BE LIMITED TO THEIR INITIAL CAPITAL CONTRIBUTIONS? COULD THERE BE CERTAIN SITUATIONS IN WHICH THE FULL FAITH AND CREDIT OF THE CENTRAL FEDERAL GOVERNMENT WOULD BE TRIGGERED?

C. WOULD THE NEW BANK HAVE THE AUTHORITY TO ISSUE SUCH GUARANTEES WITHOUT THE NEED FOR INDIVIDUAL APPROVAL BY FEDERAL CABINET ACTION OR RATIFICATION BY ALL REPUBLIC GOVERNMENTS?

3. WE RECOGNIZE THAT THE U.S. DOES NOT WANT TO APPEAR TO DICTATE WHAT FORM THE NEW EXPORT BANK SHOULD TAKE, BUT WE COULD TELL THE YUGOSLAVS THAT DEPENDING ON THE RESPONSES TO THE QUESTIONS OUTLINED IN PARAGRAPH 2 ABOVE, THE NEW BANK MIGHT WELL BE AN APPROPRIATE VEHICLE FOR RESOLVING EXIMBANK SECURITY NEEDS WITHIN THE FRAMEWORK OF CHAIRMAN MOORE'S LETTER OF SEPTEMBER 28, 1977 TO FINANCE SECRETARY CEMOVIC.

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4. EXIMBANK AND DEPARTMENT SUGGEST THAT IF POSSIBLE EMBASSY SOUND OUT GOY ON ABOVE POINTS PRIOR TO AMBASSADOR'S AND ECON COUNSELOR'S RETURN TO WASHINGTON. ANY INITIAL YUGOSLAV REACTION TO THIS APPROACH COULD BE DISCUSSED WITH EXIMBANK DURING AMBASSADOR'S AND EVANS' WASHINGTON CONSULTATIONS. APPRECIATE EMBASSY VIEWS AND ASSISTANCE. VANCE

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